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REGIONALISATION AND REGIONAL POLICY OF MONTENEGRO

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Abstract: Although being a relatively small country, Montenegro is characterised by significant regional disparities. Just recently it has been administratively divided into regions, but no form of regional statistics has been developed yet and no active policy aimed at reducing regional disparities is being followed. This is due to the longstanding sentiment that the entire Montenegro is one micro region and no further division into regions is necessary. This is why the authors set three goals in writing this paper. The first one is to review the adequacy of the proposed division into regions. The second goal is to calculate relevant regional statistical indicators that would subsequently serve for the third goal of proposing economic policy recommendations aimed at diminishing regional differences.

Key words: Montenegro, region, regional disparities, economic policy.

Introduction

Transition from the centrally planned to a market economy, as well as the economic boom experienced after gaining independence have deepened the socio-economic differences and development opportunities among different parts and social groups in Montenegro. Uneven development and underutilisation of available resources on one hand, and examples of unviable deployment of natural resources on the other hand are the features of the transition process and indicators of the current situation.

Uneven regional development is not only specific feature of Montenegro but also of advanced countries. The importance and role of a regional policy may be probably best viewed on the example of the European Union which comprises 27 Member States and 271 regions. Social and economic disparities between the regions are monumental as witnessed by the fact that GDP per capita of every fourth region is lower than 75% average of all 27 Member States. The EU recognised the need to reduce this unevenness and strengthen competitiveness of

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all its regions in order to remain competitive in the world markets as a union, and the result is the existence of significant programmes and funds aimed at diminishing regional disparities. The most important instrument for achieving cohesion implies adjustments to new trends and large scale restructurings (infrastructure development, unemployment reduction, boosting industry and all forms of activities) in order to improve competitiveness of a local economy and thus decrease the regional disparities in the EU.² The OECD study (2011a) showed that around 40% of GDP and employment is created only in 10% of the most developed regions in the OECD member countries. Degree of regional differences in the world may be illustrated via the table below.

Table 1. Regional disparities in selected countries

Country	1980	2000
Japan	1.40	1.48
Great Britain	1.46	1.59
France	1.60	1.63
Canada	2.41	1.68
Spain	1.97	1.93
USA	2.19	2.02
Italy	2.12	2.12
India	3.13	4.81
Mexico	5.08	5.04
Brazil	6.73	5.59
China	7.27	9.07

Note: Table shows ratios of GDP per capita in two most developed regions in comparison with two least developed regions. Source: Polese, M. (2009). *The Wealth and Poverty of Regions*. Chicago: The University of Chicago Press

The table clearly shows that regional disparities have been present in both advanced and developing countries. Nevertheless, the global financial crisis has further deepened these disparities (OECD, 2011a). However, regional differences are much more obvious in developing countries due to the lack of proper regional policies. In that sense, Montenegro is no exception either.

Unfortunately, the situation in Montenegro is such that not before 2011 Montenegro got its Regional Development Law which prescribes administrative division of the country into regions.

However, no regional statistics has been developed yet as no institution has been put in charge to keep such a statistics. This is due to the Government's decision made in 2009 that adopted the proposal of the Statistical Office that defined

² Ministry of Economy. (2010). *Regional Development Strategy of Montenegro for period 2010 – 2014*. Podgorica: Ministry of Economy.

Montenegro as a single region in line with the EU Regulation no. 1059/2003. Although such a decision is rational from the EU aspect since Montenegro's population corresponds to the population of suburb of larger city, it is not appropriate from the aspect of Montenegro considering distinct disparities in geographically concentrated development.

The result is a situation where a policy for diminishing regional disparities exists just on paper and is based on the Regional Development Law that envisages:

- “1) a more even development of local governments through the adjustment and harmonisation of local and regional development needs with development priorities at Montenegro level in accordance with allocated funds at the country and local levels and development funds allocated by the EU funds;
- 2) an accelerated development of underdeveloped local government units through an increase and optimum utilisation of their development potential, as well as elimination of causes preventing their development;
- 3) environmental protection aimed at sustainable development by creating prerequisites for the application of low carbon technologies, technologies eliminating carbon dioxide emission, as well as development of utilities infrastructure”³

Therefore, it may be stated that there is no vision with regard to planning and managing and/or coordinating the regional development. The situation is not even better when it comes to regulation. The legislation regulating the diminishing of regional disparities and the regional policy is fragmented and contained in numerous laws (at least 24 of them)⁴ and secondary legislation. Thus it may be concluded that the existing legislation governing the regional development is non-harmonised and insufficiently cross-referenced. Two years ago, Montenegro prepared the Regional Development Strategy, but it is largely based on general guidelines and no significant activities aimed at implementing recommendations from this strategy paper have been noticed.

As argued by Taylor (1995), each generation faces unique challenges and opportunities and their prosperity and prosperity of future generations depend on how they response to these challenges and use the presented opportunities. Therefore, we believe that one of the key challenges in the forthcoming period

³ Law on Regional Development of Montenegro.

⁴ Regardless of the new Law on Regional Development of Montenegro, the legislation has remained fragmented.

will be to define a coherent development policy aimed at the creation of an optimum utilisation of the national resources and ensuring a sustainable and competitive development of the national economy.

This paper comprises four parts. The first part points to characteristics of developed and underdeveloped regions, with the main aim being to point to Montenegro's large regional disparities. The second part reviews the proposal for the division of Montenegro into regions. The third part provides the calculation of some of the key regional indicators to serve as the basis for the creation of the regional policy. The final part communicates guidelines for the regional policy, i.e. reducing regional disparities.

Features of developed and underdeveloped regions

The notion of uneven development, as an economic phenomenon, has come under the spotlight after the Second World War. To wit, as pointed by Isard (2003), World War II had created regional problems or deteriorated those already existing at the time. In the preindustrial period, countries were characterised by relatively low and equal degree of activities as a consequence of high transport costs and low trading (Combes, Mayer & Thisso, 2008):

After World War II, regional differences have continued to increase exponentially under the influence of two socio-economic factors. Observed by importance, technological revolution comes first and demographic expansion takes the second place. The first started during the war and it initially served the military industry, spreading later on to the economy during peace times. In general, the train of technical revolution has brought unconceivable progress to some regions that expressed willingness to tackle innovations, whereas other regions that were unable to accept and further improve technological novelties, were placed in inferior position, thus resulting in further deepening already existing development differences. As pointed by Combes et. al (2008), the industrial development was primarily of the regional, rather than national character, resulting in uneven internal regional development in countries nowadays. The scarcity of capital necessary to pay for modern technologies that is expensive and becoming even more expansive over time, as well as the lack of skilled staff able to use such technologies rationally, prevents broader use of modern techniques and technologies in underdeveloped regions. The importance of technology is highlighted in the OECD study (2011) which points that technological knowledge is the main prerequisite for sustainable development and regional disparities are explained by differences in knowledge, productivity and technology.

The second important circumstance that has contributed to the topicality of the underdevelopment phenomenon is demographic expansion that is reflected in reduced mortality rate and growing birth rate.

Developed regions have economic structure at the level of “full industrial maturity” and developed service sector (in particular, the financial sector)⁵. The share of agricultural production is much lower and reduced to minimum. The structure of these regions is prevailed by secondary and tertiary activities, modern and propulsive branches based on technical progress and highly specialised production. Such an economic structure enables reaching the level of full employment, and even a lack of labour force, as well as full utilisation of other production factors. Infrastructure and socio-economic structure in these regions have also reached “full maturity”, and cities have become growth poles generating multiplicative effects on the environment. As a rule, the capital, industrial centres and coastal regions grow at much faster pace than the rest of a country (Dimitrijević & Fabris, 2010). Such trends are often followed by great migrations of population from underdeveloped towards developed parts of a country. In numerous countries, even more than a half of population live in the capital, for example in Cairo or Buenos Aires. Such a trend frequently leads to numerous problems such as growing social differences, reduced activity in some of the traditional activities such as agricultural production, excessive pressure on infrastructure in big cities, and the like.

These regions have dominant and superior position in interregional relations, both from the aspect of new technological solutions and scientific information and innovations in production, market exploration, and so on. An illustrative example for such an economic structure in the former Yugoslavia was Slovenia.

The main characteristic of underdeveloped regions is a relatively high share of agricultural production that is usually further fragmented and parcelled out, and particularly small share of underdeveloped industry. As a rule, such regions are “anaemic”, lacking basic principles concerning the economy and positive momentum either induced from the inside or the outside. Extensive agriculture with small properties and agrarian overpopulation induce low labour productivity and low income which, in turn, cannot provide for sufficient minimum of accumulation necessary for creating conditions for an accelerated

⁵ It should be noted that in the last few years more and more developed regions have been orienting towards the service sector and industry has been outsourced to locations with cheap labour. These particularly involve the so-called financial centres.

development. Such an underdeveloped economy is not the only limitation to further development because another problem that emerges in such a case is a lack of proper infrastructure and requirements for the development of education (primarily higher education), health care, culture and numerous other activities. The result of these structural features is low GDP, insufficient room for accumulation leading further to the absence of entrepreneurial activities in the function of development – structural changes. The consequences of the aforesaid problems are a high rate of unemployment and evident migration towards developed regions.

Development problems which numerous local government units in Montenegro face nowadays involve a high level of unemployment, population migrations, underdeveloped infrastructure, low income, low population density, low living standards, underdeveloped industry and the like. So we can conclude that there are significant regional disparities, that is, underdeveloped regions in Montenegro and the country should not be observed as a single region.

Methodological approach to the division of Montenegro into regions and calculations of regional indicators

The starting point in the analysis of the division of Montenegro into regions is different definitions of regions. According to Puhle (1999), a region can be defined as any territory smaller than a state and larger than a locality or a small province. Combes et al. (2008) perceive a region as an area open for trading but where internal exchange prevails. They also suggest that an economic region is a category subject to change over time.

In the lexicon of economics (Jakšić et al., 2010) we find the following definition of a region: “A part of a country’s territory that is characterized by a geographical completeness and economic homogeneousness, interregional division of work and production orientation, and which is created around one or more industrial centres. At the same time, a region is sufficiently big and has sufficient natural resources and human potential to support the creation of economic development hubs and/or specialisation in parallel with a complex development of production in such a territory.”

According to Radovanović (1994), regionalisation involves differentiation of a territory into complete system territories – regions, as actual geosystemic complexes, and also territorial differentiation as per the criteria of relative homogeneity (heterogeneity) features of gravitational and functional connection, economic development level and characteristics, political-territorial

organisation, production-technological territorial compactness, features and population density, ethnographic cultural uniqueness, and so on.

Čobeljić (1976) also provides comprehensive and synthesized definition of the region: “It is clear, namely, that economic regions are: a) spatial components of an economy and as such possess certain economic and geographical completeness, territorial division of work and production specialisation, which make up the main components of their emergence and development: b) economic regions are mainly created around one or more industrial centres, whereby the latter have decisive influence on the establishment of a regional structure; c) economic regions must be larger territorial units which natural and human resources enable successful education and stronger centres of economic growth, as well as proper necessary diversification of production.”

We can conclude that a region and/or its spatial and time horizon are not comprised only of economic, but also numerous other connections, thus various criteria and parameters of geographical, economic, socio-political and cultural-historical content may be used for practical implementation and proper comprehension of the regional structure.

From the aspect of territorial division, Montenegro is comprised of 19 municipalities, the Capital and the Royal Capital. A municipality is the basic form of local government, but other forms of local government may be formed. The Regional Development Strategy gives the first proposal of division of Montenegro into regions, and another one is given in the Regional Development Law. Both documents divide Montenegro into three regions, which we consider a proper division. The difference between the two proposals concerns two municipalities – Cetinje and Niksic.⁶

If we started from the assumption that the regional division of Montenegro should be performed on the basis of two key criteria: geographic location and

⁶ According to the Regional Development Strategy, Cetinje is classified under the coastal region, but we consider inappropriate to classify a mountain town under the coastal region. The Regional Development Law classifies this region as the Central (Middle) region, which we consider more appropriate. Also, the municipality of Niksic is included in the central region, which is only possible from the aspect of the geographic criterion, while all other criteria put it under the continental region (even the geographical aspect allows for its classification under the continental region). We find this proposal more acceptable and this is how Niksic is classified in the Regional Development Strategy.

economic activity, then none of the two proposals would be appropriate, so we hereby present our proposal.⁷

In view of aforementioned criteria, the easiest one to set aside is a coastal region, which is a rounded geographical whole and has a similar economic structure, that is, the key activities are tourism and real estates. The second region, which we call the central region, is the capital Podgorica and its gravitational municipalities (Cetinje and Danilovgrad). Other municipalities are rather heterogeneous with regard to their economic structures considering that among them are industrial towns such as Niksic and Pljevlja, the former industrial centers such as Bijelo Polje and Berane, as well as numerous underdeveloped municipalities which rely on agriculture. However, considering the fact that these municipalities can be connected into one geographical whole, as well as that their common characteristics are that they lag behind the development of the other two regions, population migration, vanishing of one-time growth instigators (big socialist enterprises), low population density and underdeveloped infrastructure, it is completely justified to classify them into one region – the continental region. The following table shows the classification of municipalities by the region.

Table 2. Division of Montenegro into regions

Coastal	Central	Continental
Ulcinj	Podgorica	Andrijevisa
Bar	Cetinje	Berane
Budva	Danilovgrad	Bijelo Polje
Tivat		Mojkovac
Kotor		Kolašin
Herceg Novi		Plav
		Pljevlja
		Plužine
		Rožaje
		Šavnik
		Žabljak
		Nikšić

The following step is the calculation of selected statistical aggregates for the observed regions. The database for the calculation is the results of the 2011 consensus, annual financial statements data processed by the Central Bank of Montenegro, as well as Monstat data on employment. The most important obtained macro-aggregates can be presented in the following table.

⁷ In annex is presented map of regional classification according the three mentioned proposals.

Table 3. Overview of selected regional indicators

	Continental region	Central region	Coastal region
Population at the last census	250280	221066	148683
Change in population	-7.4%	8.3%	1.9%
Area in km ²	9 369	2 852	1 591
Population density (population per km ²)	26.7	77.5	93.45
Total income (as per annual financial statements) in euros	1 229 272 155	3 766 084 497	1 435 715 988
Total income per capita in euros	4911.6	17036.0	9656.2
Number of employees	44119	71424	46199
Number of unemployed	15809	10434	5783
Unemployment rate	26.37	12.74	12.51
Profit-loss in euros	-25 527 460	101 482 988	-46 505 890

The observed regions have different areas and population density. The continental region covers more than two thirds of the territory and 40% of population. The central region covers 20.6% of the country's territory and 35.6% of the population, whereas the coastal region covers 11.5% of the territory and somewhat less than 25% of the population. The continental region is sparsely populated, whereas the coastal and central regions are much densely populated.

The table above clearly shows that the continental region is extremely emigrational area, while the central region, and the coastal region to a smaller extent, are the areas of immigration. Information on income *per capita* in 2010 correlate to a large extent with the "inflow" and/or "outflow" of population, as well as with the movement of the unemployment rate.

The central region is the key business area since almost 60% of total income is concentrated in this region, although it accounts for 36% of the population. Total income per capita in the central region amounts to 17,036 euros, 9,656 euros in the coastal region, and 5,911 euros in the continental region. The unemployment rate is similar in the central and coastal regions, while it is more than twice higher in the continental region.

Information on profit may lead to a wrong conclusion considering that the calculated loss is much higher in the coastal than in the continental region. To wit, losses registered in the coastal region are under a great influence of still evident consequences of the global financial crisis. Numerous companies in the

coastal region deal with real estate related activities that are still in deep crisis, so the obtained result is contradictory only at first glance.

Taking into account all the aforesaid, we can draw an unambiguous conclusion that there are substantial regional differences in Montenegro which call for policy for reducing regional disparities.

Economic policy aimed at reducing regional disparities

Transition process has deepened the regional disparities in Montenegro. Industries created on unrealistic bases have collapsed, in particular in areas that are least developed today. A substantial number of employees in large industrial enterprises lost their jobs. Although their education, skills and know-how were not suitable for the needs of the new system, only a small number of them were ready to adjust to the new conditions and undergo the process of retraining (Ministry of Economy of Montenegro, 2010). This process is not limited to Montenegro, it happened in other transitional economies as well, but the problem with Montenegro is that almost nothing has been done to reduce such disparities. On the contrary, they have only deepened.⁸

There are numerous methods and instruments nowadays which economic policy creators have at their disposal with a view to reducing regional disparities, starting from investments in economic entities, infrastructure, personnel and including various benefits of credit (monetary), fiscal and administrative nature. That is why it is no surprise that professional literature contains various approaches to economic policy aimed at reducing these disparities. It is usually associated with neoclassical growth models which explain economic growth through available production factors, that is, work and capital (Stimson, Stough & Roberts, 2006). It was not rarely in the past that a region's competition was tried to be achieved by attracting foreign direct investments, which proved only a partially successful strategy. A new approach to regional development emphasizes the development of competition of local companies and encourages the sustainable use of all types of resources in the given region. Armstrong and Taylor (2001) argue that the main objective of a regional policy is to affect the

⁸ Also, one should bear in mind that in the past two decades, sustainable development has become one of the basic principles of economic thought and (to some extent) the formulation and implementation of worldwide policies. The concept of sustainable development has emerged from numerous reports of the United Nations and conferences on the topic of sustainable development, and it has been further supplemented with the United Nations Millennium Declaration. Balanced regional development is not mentioned *per se*, but it is indirectly one of the millennium development goals.

allocation of capital and labour that would be absent without certain incentives. They believe (2001) that investment subsidies are the most popular regional policy instrument. As pointed by Dimitrijević and Fabris (2007), fiscal policy measures may affect the reduction of regional disparities – via tax relief for investments in underdeveloped parts of a country, improving quality of life in these areas (construction of infrastructural facilities, hospitals and the like), direct government investments, various forms of social benefits, and the like. These methods are already being applied in market economies and they have proved as more efficient than direct “benefits” aimed at accelerating development. According to the OECD study (2011), the three key strategic priorities in a regional policy are:

- Creation of comparative advantages,
- Socio-economic transformation and
- Catching up with developed regions.

We can conclude that Montenegro has not led any regional economic policy so far regardless of the recently passed Regional Development Strategy and the Regional Development Law. A development policy focus should be the attaining of a more equal regional development that would not be based on the slowing up of developed regions, but the creation of conditions for accelerated development of less developed parts of a country. The key directions of economic policy to reduce regional disparities should be focused on three areas:

- Creation of conducive macroeconomic environment,
- Direct assistance to underdeveloped regions,
- Encouraging the allocation of investments in underdeveloped regions.

*Creation of conducive macroeconomic environment*⁹ – this involves policies that should contribute to the general country growth, including underdeveloped regions. The purpose of these policies is the creation of a stable and conducive environment for economic activity. The objective is to create a similar environment to those existing in developed countries.

This means that a country should ensure fiscal stability, a low share of public debt in GDP, low inflation, and a predictable business environment. Considering the current situation in Montenegro, the creation of such an environment would require the following economic policy measures: fiscal consolidation¹⁰, that is, the harmonisation of public spending to the actual possibilities, a gradual change

⁹ For more details see the Recommendations to the Government of Montenegro Regarding Economic Policy for 2012.

¹⁰ Observed in the long term, it is necessary to reduce the share of public spending in GDP, as well as gradually reduce the share of current budgetary expenditure in favour of capital expenditure.

of the growth model, improvement of competitiveness of the Montenegrin economy, acceleration of the EU accession, continuation of reforms and privatisation, enactment of systemic laws in line with best international practice, continuation of deregulation, removal of business barriers, and so on.

In addition, one should not forget an efficient functioning of the judiciary, followed by the shortening of the enforcement procedure. Improvements are also necessary in the field of competition policy because Montenegro, as a small a country, is prone to the creation of monopolistic and oligopolistic market structures.

Direct assistance to underdeveloped regions – In order to cease further population migration and create proper environment for investments, it is necessary to improve the infrastructure of the continental region. This involves the improvement of the road infrastructure (local and regional road networks), but also the basic living infrastructure such as health care institutions, schools, kindergartens, sports facilities, cultural institutions, and the like. Particular attention should be dedicated to the network of educational institutions and encouraging the work of schools, including those with a small number of pupils because the closing of schools leads to the disappearance of settlements. The construction of the basic and business infrastructure could be funded from the existing budgetary funds, through public-private partnerships, credit borrowings, and the EU funds.¹¹

Without the improvement of the quality of life in underdeveloped municipalities one cannot count on the reduction of development gaps in relation to the national average. That is why the recommendation communicated in the Regional Development Strategy (2010) seems justified as it proposes the consideration of option leasing or assigning homes, apartments or a construction land owned by the state, as well as favourable conditions for the purchase of an apartment or a home in these municipalities.

Due to the strategic importance of agriculture for the development of this region, it is also necessary to consider various modalities of boosting agricultural production such as free land allocation or granting free use of land, increasing

¹¹ In addition, it seems that EU funds have been insufficiently utilised in Montenegro, primarily due to the lack of knowledge and awareness of the EU programmes. Substantial funds are available within the Instrument for Pre-Accession Assistance (IPA) designed for the EU candidate and potential candidate countries. Another IPA component is designed for the regional and cross-border cooperation and it is available to local governments.

agricultural budget subsidies, free distribution of livestock or agricultural plants and the like.

In addition, we should consider the possibility of scholarships for a larger number of pupils and students who would accept the obligation to live and work in this region after graduation.

Encouraging the allocation of investments in underdeveloped regions – The first important step should be the creation of the regional development platform to serve for the identification of a region's advantages, weaknesses, as well as directions for improvement and better utilisation of regional advantages.¹²

It is necessary to create programs aimed boosting development of entrepreneurship, small and medium-sized enterprises, taking into account the regional component, and accordingly, prepare special benefits for users in underdeveloped municipalities. An example of such measures could be the establishment of business incubators by the state in underdeveloped regions. In addition, it would be a significant encouragement by the state to form export-oriented clusters because this region has good preconditions for the food industry base. Also, the investment and development fund should consider the potential for more favorable lending programs in underdeveloped municipalities.

The OECD study (n.d.) highlights a high degree of connection between the regional development and tourism development. Certain parts of the continental region have excellent predispositions for the development of mountain tourism which has been completely neglected so far. There are three national parks in the underdeveloped region, one of which is under the UNESCO biosphere reservation and another one is classified under the Natural World Heritage. The state should encourage the development of this tourism segment through the combination of a direct support to improving the infrastructure (road, ski tracks, and the like) and the promotion and encouraging foreign investors to build hotel and other supporting tourism facilities. In addition, the state should ensure natural and environmental preservation of these areas. To that end, it is necessary to ensure an integrated approach to the environmental management system since the Ministry of Sustainable Development and Tourism is not in charge of all elements of natural environment. With a view to mitigating

¹² For more details on the creation of a regional development platform see Harmaakorpi, V., & Pekkarinen, S. (2002). Proceedings from 42nd Congress of the European Regional Science Association (ERSA): *Regional Development Platform Analysis as a Tool for Regional Innovation Policy*. Dortmund, Germany.

negative impact of activities with harmful effects on environment, it is necessary to intensify the monitoring of environmental inspection.

It is useful to encourage investments in underdeveloped regions by granting other benefits as well. It is possible to deploy a wide range of measures to provide tax exemptions for a certain number of years, income tax exemption for a certain number of years, the allocation of free sites, the release of utility charges, free access to water and electricity and the like.

It should be constantly worked on developing capacities and plans for socially-economic development at the local level and to complete all the spatial and urban plans. Also, it is necessary to prevent illegal and unplanned construction in protected areas and take necessary steps to remove the consequences of such construction.

In the end, for a regional policy to be implemented efficiently, it is important that the statistical system starts producing the main indicators using the regional principle.

Conclusion

Transition, as well as the economic boom that marked the period after gaining independence, have led to further deepening of socio-economic disparities and development opportunities in different areas and among different social groups throughout Montenegro. Unbalanced developments, insufficient use of available resources on one hand, and examples of unsustainable use of natural resources on the other hand are the characteristics of the transitional period.

Montenegro has only recently been administratively divided into regions, but still there is not any kind of regional statistics. The authors consider the administrative division into regions inadequate and give their own proposal for this division. In addition, the paper gives the calculation of regional indicators. It turned out that the continental region is characterized by much less favorable economic indicators, which are primarily related to lower per capita incomes, higher unemployment than in the other two regions, and underdeveloped and inadequate infrastructure, a low volume of economic activity, unfavorable demographic and educational structure of population and the like. On the other, the paradox is that the majority of real resources and comparative advantages are in fact located in the least developed region of the country.

Taking into account the aforesaid, it is obvious that Montenegro is a small country with big regional disparities. Therefore, the focus of policy development in the future should be achieving a more balanced regional development, which will not be based on slowing down of developed regions, but on creating conditions for accelerated development of less developed parts of the country. The three key directions of economic policy should involve the creation of generally conducive macroeconomic environment, direct assistance to the underdeveloped region and encouraging investment in this region.

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Annex



Figure 1. Map of regional classification of Montenegro according to the proposal of authors of paper



Figure 2. Map of regional classification of Montenegro according to the Law on regional development

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Figure 3. Map of regional classification of Montenegro according to the Strategy of regional development